

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 59th LEGISLATURE - REGULAR SESSION

JOINT APPROPRIATIONS SUBCOMMITTEE ON GENERAL GOVERNMENT AND TRANSPORTATION

Call to Order: By **VICE CHAIRMAN LANE L. LARSON**, on January 17,
2005 at 8:00 A.M., in Room 317-B Capitol.

ROLL CALL

Members Present:

Sen. Lane L. Larson, Vice Chairman (D)
Sen. Rick Laible (R)
Rep. Jon C. Sesso (D)
Sen. Corey Stapleton (R)
Rep. Janna Taylor (R)

Members Excused: Rep. John Sinrud, Chairman (R)
Sen. Mike Cooney (D)
Rep. Rosalie (Rosie) Buzzas (D)

Members Absent: None.

Staff Present:

Greg DeWitt, Legislative Branch
Christi Moyer OBPP
Esther Poor, Committee Secretary
Transcribed by Jamie Mickelson

Please Note. These are summary minutes. Testimony and discussion are paraphrased and condensed. Tapes are listed after discussion

Committee Business Summary:

Hearing & Date Posted: Department of Administration
Executive Action: None

HEARING ON THE DEPARTMENT OF ADMINISTRATION

Marvin Eicholtz, Administrator of the General Services Division, gave a brief presentation on Capitol Post Office on Page A-206 Figure 6G labeled, Inter-agency Mail.

Mr. Eicholtz addressed the LFD Issue on Page 202. He stated that the Department is asking for two separate rates for the Print Mail Services, (1) a 60-day working capital, and (2) and Inter-agency mail and print services an allocation of cost rates to the Agencies.

Discussion:

REP. SESSO asked if the revenues that the Department collected were specifically reduced from the 2003 Biennium to the 2005 Biennium. **Mr. Eicholtz** explained that the revenue was reduced.

SEN COONEY asked if the fees will go back up, especially now that gasoline prices are so high. **Mr. Eicholtz** stated that is correct

SEN. COONEY asked if the Department lost money using Inter-agency mail last session. **Mr. Eicholtz** said, "Yes, all the costs of inter-agency main were not covered."

REP LAIBLE asked if the Committee adjusted the ending fund balance, or the working capital time frame last session. **Mr. Eicholtz** stated that the Department still holds the same rates as the last three sessions.

{Tape: 1; Side: A; Approx. Time Counter: 0 - 10.6}

CENTRAL STORES Page A-206

Marvin Eicholtz stated that the Department wanted to move Central Stores to a privatization program and thus, the funding would not be the same as last session. He explained that a 45-day working capital is being requested for flexibility and the current 2% rate may not meet the Department needs. He commented that there would be a rebate on sales to support the positions that will be held in central stores. He explained that the Department is estimating \$5 million in sales over the next Biennium.

Discussion:

SEN. COONEY asked if the Department would be a new DP for the Committee to consider approving this rate. **Greg DeWitt** explained that there are no decision packages when working with proprietary

rates. He stated that the Committee's responsibility is to approve rates. He commented that the Committee will need to create a mechanism for the Department to collect revenues.

Mr. DeWitt stated that he thinks that there could be a non-appropriation, by putting restrictive language on how the revenues are spent, and collected through whatever rate is approved. This would not include any lease payments. He stated that he would create the language and rates and have it ready when the Committee is ready for executive action on the Department.

{Tape: 1; Side: A; Approx. Time Counter: 8.5 - 14.8}

REP. SESSO said that he is seeing the program operate at a deficit and is expected to be operating at a deficit by the end of the biennium. **Mr. Eicholtz** explained that the program that the Department is suggesting is not in the LFD Budget Analysis.

REP. SESSO stated that he is concerned about cutting jobs, but also where the State is going to spend the \$5 million. He said that he reserves his opportunity to question how this is going to work in the best interest of both the dollars and jobs in Montana.

Mr. Eicholtz stated that currently the central store's program has a contract with a private company to supply most central stores products.

REP. SESSO asked if the business within the contract under the new concept is going to take place in Montana or in Idaho.

Mr. Eicholtz said that he does not know the answer to that question; however, Helena supplies are controlled by State employees. He explained that when the Department contracts the supplies, it is either going to be distributed through UPS or Common Carrier and right now, all supplies are distributed through UPS.

SEN. LARSON stated that there are five people who are facing a potential layoff with this program; this will make a tremendous difference to them.

Mr. Eicholtz said that the Department is are trying to avoid as many layoffs as possible.

{Tape: 1; Side: A; Approx. Time Counter: 14.8 - 21}

SEN. LARSON asked how often the contract for supplies is renewed. **Mr. Eicholtz** replied that the last contract was for seven years.

Mr. Eicholtz stated that the rates went down because the working capital was too high. Now they have been asked to bump those rates back up. It is saving the State money.

REP. SESSO stated that he does not see this as saving money, he sees it as preserving commerce in the State of Montana.

SEN. LAIBLE commented that he is glad that agencies are looking at how to save money with privatization. He said that the services that agencies provide are looking for alternatives that save the State and the taxpayers money. He explained that there were going to be some capitol improvements because of this. He stated that until the Department can get a whole package together, the Committee is are going to look at this as a positive thing for the state.

STATEWIDE FUELING NETWORK PROGRAM Page A-209

Mr. Eitcholtz asked the Committee for a 45-day working capitol.

Discussion:

Mr. DeWitt stated that on Page A- 210 there is an LFD issue that states that the 2003 Legislature approved a .5% rate and a 45-day working capitol rate. The rates approved by the Committee should be based on the percentage of purchase not a 45-day working capitol rate.

{Tape: 1; Side: A; Approx. Time Counter: 21 - 30}

Mr. Eicholtz suggested that the Committee look at he programs and approve higher rates and make adjustments, because the revenue has doubled from the 2003 Biennium to the 2005 Biennium.

SEN. LARSON asked if the Department is going to be looking at negative numbers in 2006 and 2007.

Mr. Eicholtz stated that the Department is unable to project where business will be in 2006 and 2007. He explained that it is very difficult for the figures out of 2006 and 2007 to be meaningful, because the Department doesn't know what the projections will be.

SEN. LARSON stated that every Department is expected to predict to the best of their ability what the Department projections will be.

REP. SESSO asked what the relationship is between the Department of Transportation and the Department of Administration.

Norm Strenberg stated that the State Motor Pool is run by the Department of Transportation and that the fuel prices and fuel purchase contracts are taken care of by the Department of Administration.

SEN. LAIBLE stated that the purpose of this program may want to be explained in greater detail, because it was originally created to save the State money.

Mr. Eicholtz stated that this program was created for many different reasons, because technology became available to provide the Department with controls through that method and the State wanted to get out of the underground storage tank business. The Department felt that liability was much better handled through filling stations than from the underground storage tanks, it is also easier to track. He explained that this Program gives the Department control to manage the vehicle reports and is available for local governments to use as well.

{Tape: 1; Side: B; Approx. Time Counter: 0 - 8.4}

STATE PROCUREMENT CARD PROGRAM Page A-210

Mr. Eicholtz explained that he is asking for a 45-day working capitol, He informed the Committee that last session they asked for a dollar a card. He commented that the reason the Department is asking for this to be changed is because they are going to be under a new contract. The Department will manage the expenses on the Program through rebates, the Program has about \$21,000 in expenses that need to be covered.

SURPLUS PROPERTIES PROGRAM Page A-212

Me Eicholtz explained that the Property and Supply Bureau operates the surplus property program to administer the sale of State and Federal surplus property no longer needed by agencies.

{Tape: 1; Side: B; Approx. Time Counter: 8.4 - 12}

INFORMATION TECHNOLOGY SERVICE DIVISION Page A-214

DP 718 MSDI FEDERAL REQUEST Page A-216

Jeff Brandt, Acting CIO Information Technology Service Division (ITSD), explained that this is a Federal appropriation that would be consistent with a Federal grant that the Department is going to be applying for. This grant would be for Geographic Information Systems (GIS).

Discussion:

SEN. LAIBLE stated that in the LFD Issues there is an estimate of nearly \$30 million to created the Montana Spatial Data Infrastructure. He asked if this is all federal funding.

Mr. Brandt stated that the \$30 million represents money that the State would need to invest in this program if it were all done today but the plan is to do a little at a time.

DP 719 MONTANA LAND INFORMATION ACT Page A-217

Mr. Brandt explained that this DP is a companion to SB 98. He stated that the bill cleared Committee and passed in the Senate. He explained that the DP is an increase of \$2.8 million State special revenue into the Department budget to spend the funds from SB 98.

Discussion:

SEN. LAIBLE asked why there are two decision packages that are dealing with the same issue.

Mr. DeWitt stated that the concept of having two decision packages is having the first one build the Program and the second one maintain it.

Mr. Brandt stated that the two natures of the funding sources are different, thus the Department needs two decision packages.

SEN. LARSON stated that the Committee is unable to take action on this decision package until SB 98 passes.

REP. SESSO said that he is very happy with the development of the infrastructure, due to the fact that it will make communication and marketing better for the State of Montana.

{Tape: 1; Side: B; Approx. Time Counter: 12 - 30}

DP 721 PUBLIC SAFETY COMMUNICATIONS PROGRAM GF Page A-217
DP 722 EMERGENCY TELECOMMUNICATIONS INFRASTRUCTURE OTO Page A-218

Mr. Brandt explained public safety radios, and that these radios go in snow plows, ambulances, and police cars. He stated that the issue is industrial strength public safety and communications. He said that there is a new infrastructure being created with these decision packages.

Mr. Brandt gave a brief history on this program and the strategic plan to connect all of the radios and communications systems into one system.

Mr. Brandt clarified that DP 721 is for an increase of \$600,000 general fund and a reduction of \$416,914 Federal Special Revenue for the biennium. He explained that this request results in a net increase of \$183,086 to add 2.00 FTE computer systems analysts.
{Tape: 2; Side: A; Approx. Time Counter: 0 - 17}

Discussion:

SEN. LAIBLE asked if the \$4.1 million is for planning of this program.

Mr. DeWitt stated that it is a funding switch to show State support for the coordination of the Program.

REP. SESSO asked if the Committee makes the switch and supports the switch, then they are enabling the Department to access the federal money to make the project a success. **Mr. Brandt** stated that is the assumption of our Department, and at a minimum the Department is being funded with their own State money.

Mr. Brandt explained that DP 722 is a request for an increase of \$4.1 million general fund for the biennium to fund the Northern Tier Interoperability Project. He clarified that the entire project cost is estimated to be \$13.4 million and with other partners providing \$9.3 million leaving a \$4.1 million shortfall, DP 722 funds would complete the first phase of the project. He commented that the Department did not want to risk Federal funding by the project not being completed.

SEN. LAIBLE asked what other states have already switched over to this program. **Mr. Brandt** replied that there is a number states that have already installed statewide systems.
{Tape: 2; Side: A; Approx. Time Counter: 17 - 30}

Mr. Brandt stated that good project management can avoid a number of problems and explained that the Federal government is suggesting that manufacturers stop manufacturing older radios in a number of years. He said that there is a stage that is being set and this is why now is the best time to make the switch over to the new system.

REP. TAYLOR asked how many Federal agencies are participating in this program.

Mr. Brandt gave a list of all of the Federal agencies that are involved with the digital technology.

REP. TAYLOR asked when the old radios need to be replaced is there any way that they will be able to be recycled and used again. **Mr. Brandt** stated that the newer radios are more expensive and that the old radios. The Department is encouraging the Departments to use the money that they have now for radios to purchase the new radios and integrate them into the old system until there is enough money to overhaul the entire radio system.

REP. SESSO asked if the money that the Department will spend is comparable to what other states had to spend to switch over to this new system. **Mr. Brandt** explained that he is not sure and will research this.

{Tape: 2; Side: B; Approx. Time Counter: 0 - 6}

LANGUAGE APPROPRIATION Page A-219

Mr. DeWitt stated that there is language to reappropriate the unused portion of the funds from SB 271 from last session. He suggested that the Committee may want to readjust the language to meet the writing style of a language appropriation.

Mr. DeWitt stated that SB 271 was approved to the department of Administration, and was spent through the Department of Revenue.

Discussion:

SEN. STAPLETON commented that there was a tag on this bill in case the bond went bad. He said that the intention of this tag was for the Department to renew the money each legislative session, in case the project fails. He explained that any Department can centralize when projects fail, or the Department can decentralize when a project is successful. He stated that the Department needs the authority to get the project done.

{Tape: 2; Side: B; Approx. Time Counter: 6 - 15}

Mr. Brandt went through the slides on the Proprietary rates, how the Department is going to fund their programs and rates.

Mr. DeWitt asked the Committee members to turn to page A-223 and examine the LFD issue that states, "Agencies are budgeted for fixed costs associated with certain programs that serve other agencies on a statewide basis. Within agency budget requests is a component for fixed costs to fund payments for SABHRS. Statewide, agency budget requests include funding for SABHRS of \$6,335,169 in FY 2006 and \$6,335,169 in FY 2007. The legislature may want to approve a fixed allocation for SABHRS costs that is linked with agency funding to pay for SABHRS. Approval of a fixed allocation for SABHRS would fund SABHRS operations as a stand-alone operation as it is operated and costs were determined."

{Tape: 2; Side: B; Approx. Time Counter: 15 - 30}

SEN. LAIBLE asked why there is a 35% increase. He wondered if it is because as a State, Montana is using the midtier which is 36% more than the previous biennium. If some agencies are using the system more than others, are those agencies required to pay more money.

Mr. Brandt clarified that the rate is increased due to the use of the midsize computer facility charging the SABHRS system. He explained that the Department tries to spread all of the costs out to all of the agencies that use the system.

{Tape: 3; Side: A; Approx. Time Counter: 0 - 7}

BANKING AND FINANCIAL DIVISION

Anne Goodwin, Commissioner of Banking and Financial Institutions, gave a brief presentation in the Department increases that will be needed for the next biennium.

DP 1401 REQUEST 3.25 FTE BANK EXAMINERS Page A-227

Mrs. Goodwin explained that this decision package is a request for an increase of \$448,861 State special revenue for the biennium to fund an additional 3.25 FTE and costs for associated office equipment and travel expenditures.

Discussion:

REP. SESSO asked if DP 1401 is to increase the FTE by 3.25 more in FY 2007 than the 3.25 FTE added in FY 2006. **Mrs. Goodwin** clarified that the request is for 3.25 FTE more than the base for both years and 3.25 FTE more in FY 2006 and 6.50 FTE more in FY 2007.

SEN. LAIBLE asked where the increases are coming from. **Mrs. Goodwin** stated that the increases are from the private financial institutions. The banks are paying fees for these services, since there is no general fund money. She explained that some of the increases are in licensing and renewal fees.

Mr. DeWitt commented that on Page A-227 there is an LFD comment that shows the population of Bank examiners in the broadband pay plan. He stated that existing FTE are in pay bands six and seven. He explained that this DP is bringing in new people at a high end pay, rather than the existing FTE.

{Tape: 3; Side: A; Approx. Time Counter: 7 - 15}

DP 1402 REPLACE DESKTOP COMPUTERS AND NETWORK PRINTER

Page A-228

Mrs. Goodwin explained that this DP is a request for an increase of \$11,150 State special revenue for FY 2006 to replace personal computers in accordance with the four-year State standard computer replacement cycle and one network printer.

Discussion:

Mr. DeWitt commented that the Department has the funding for this DP and there will be no additional funding needed for this DP.

Mrs. Goodwin disagreed with Mr. DeWitt and she stated that the Department does not have the funds to replace the computers and provide maintenance costs for the entire biennium.

Mr. DeWitt disagreed with Mrs. Goodwin and stated that there is enough money in the base to fund this program and that was confirmed through previous discussions with the Department.

{Tape: 3; Side: A; Approx. Time Counter: 15 - 20}

Mrs. Goodwin respectfully asked the Committee to approve funding for a Bank Examiner Career Ladder. This is a new request not in the Governor's request.

Christi Moyer said that the Governor's Office supports Mrs. Goodwin's request.

SEN. LAIBLE requested that Mr. DeWitt make a decision package for this request.

Mr. DeWitt stated that he will prepare that DP for executive action.

DP 1403 FUND ONGOING CSBS ACCREDITATION PROGRAM Page A-228

Mrs. Goodwin explained that this is for an increase of \$10,000 State special revenue for the biennium to maintain division accreditation through the Conference of State Bank Supervisors (CBSB). The adjustment includes funding to pay a \$5,000 annual dues assessment comprised of a \$3,000 annual fee to maintain accreditation plus 20 percent of the estimated cost of \$10,000 to fund a re-accreditation assessment in FY 2010.

Mr. DeWitt gave the Committee a handout labeled, "Fixed Costs Detail By Agency FY 2004 and FY 2005."

EXHIBIT(jgh12a01)

{Tape: 3; Side: A; Approx. Time Counter: 19 - 25}

MONTANA STATE LOTTERY

DP 301 INDIRECT ADMINISTRATIVE COSTS Page A-235

George Parisot, Montana State Lottery, stated that this is a reduction of \$2,049 lottery proprietary fund for the biennium to fund increases and allocation changes in indirect cost payments for services received from proprietary funded centralized service functions of the agency.

DP 1501 ADMINISTRATIVE SERVER OTO Page A-235

Mr. Parisot explained that this is an increase of \$7,000 lottery proprietary fund for FY 2006 to replace the administrative server that controls the lottery local area network. The executive recommends the legislature designate an appropriation for this request as OTO.

DP 1502 COMMISSION PER DIEM Page A-235

Mr. Parisot informed the Committee that this is an increase of \$2,500 lottery proprietary fund for the biennium to fund per diem for five meetings of the lottery commission per year.

Mr. DeWitt stated that per diem is a personal services request that needs to be brought to the Legislature every session.

DP 1503 OPERATING SYSTEM Page A-235

Mr. Parisot explained that this is an increase of \$600,000 lottery proprietary fund for the biennium to replace, refurbish, or buy new equipment and software for the on-line gaming system that allows sales of all tickets. It tracks sales and winning tickets, and provides all accounting information related to lottery transactions. The Governor recommends the legislature designate an appropriation for this request as biennial.

{Tape: 3; Side: A; Approx. Time Counter: 25 - 30}

There is no recording available for Tape 3 Side B.

DP 1506 RENT Page A-236

Mr. Parisot stated that this is a request for an increase of \$6,632 lottery proprietary fund for the biennium to fund increased rent costs for lottery office and warehouse space based on actual rental contract terms and projected costs expected after the lease contract expires and is renegotiated after March 2007.

SEN. COONEY asked if rent is increasing. **Mr. Parisot** stated that the increase is expected in the contract renegotiations for the facility the Lottery rents.

DP 1507 VENDOR FEES Page A-236

Mr. Parisot explained that this is a request for an increase of \$400,000 lottery proprietary fund for the biennium is requested to fund payments to the vendor that operates and maintains the lottery operating system.

SEN. LAIBLE asked if the sales come in at less, then will the need for vendor fees be less. **Mr. Parisot** stated that is correct, the vendor fees are proportional to the sales.

Mr. DeWitt stated that this appropriation may be restricted by the Committee so it can't be spent for anything else.

DP 1550 REDUCE DEBT SERVICE A-236

Mr. Parisot stated that this DP is a reduction of almost \$2.3 million lottery proprietary fund for the biennium to eliminate base funding for debt service. All lottery debt for the installment purchase of the on-line gambling system has been retired during the 2005 Biennium and funding is no longer needed to pay off the debt.

{Tape: 4; Side: A; Approx. Time Counter: 0 - 9}

DP 1504 PERMANENT SIGNAGE Page A-237

Mr. Parisot explained that this is a request for an increase of \$120,000 lottery fund for FY 2006 to purchase window signage to identify retailers as a lottery sales location. The executive recommends the legislature designate an appropriation for this request as OTO, biennial, and restricted to this purpose only.

SEN. STAPLETON asked for clarification on the Montana State Lottery operating expenses. **Mr. DeWitt** explained that the lottery is controlled by a commission. He stated that this is operated in an enterprise fund and that there was a statute change a few years ago that states, "...any agency who transfers their net profits to the general fund has to be appropriated." This affects this program, and the Liquor Program in the Department of Revenue.

{Tape: 4; Side: A; Approx. Time Counter: 9 - 20}

STATE PERSONNEL DIVISION

Randy Morris, State Personnel Division, gave a brief overview of the major budget highlights.

DP 3 STATE DAYCARE LEASE RATE INCREASE Page A-239

Mr. Morris stated that he is looking for an increase of \$5,430 State special revenue for the biennium to fund incenses in rent for the State-sponsored daycare in Helena.

{Tape: 4; Side: A; Approx. Time Counter: 15 - 25}

DP 4 GOVERNOR'S ADVISORY COUNCIL ON DISABILITY Page A-240

Mr. Morris stated that this is a request for an increase of \$5,872 general fund for the biennium to fund the Governor's Advisory Council on Disability for two-day meetings each quarter.

DP 301 INDIRECT ADMINISTRATIVE COSTS Page Aa-240

Mr. Morris stated that this is a request for a reduction \$2,404 general fund for the biennium to fund increases and allocation changes in indirect cost payments for services received from proprietary funded centralized service functions of the agency.

DP 2310 STATEWIDE FTE REDUCTION Page A-240

Mr. Morris stated that this a request for a reduction of \$85,970 general fund for the biennium to reduce funding for 1.00 FTE human resource specialist. This is a result of efficiencies attained in the program.

PROPRIETARY TRAINING PROGRAM DESCRIPTION Page A-240

Mr. Morris gave a brief description if the program to the Committee.

{Tape: 4; Side: A; Approx. Time Counter: 25 - 30}

Mr. DeWitt asked the Committee to turn to Figure 23 B on Page A-243. He stated that these are the rates that the Department is requesting.

STATE PAYROLL BENEFITS OPERATIONS PROGRAM Page A-244

Mr. Morris described the Payroll Operations Bureau.

Mr. DeWitt asked the Committee to turn to Page A-246 and gave a brief explanation of the LFD Issue. He explained that the Department rates may be too high and that the Department will be operating higher than a 60-day working capitol.

Mr. Morris stated that the rates appear high, but without the higher rates the Department will be operating at a deficit.

EMPLOYEE BENEFITS PROGRAM Page A-247

Mr. Morris gave a brief explanation of the Employee Benefits Program on Page A-247. He explained that the Program is charged with providing State employees, retirees, and their families with adequate medical, dental, life, and other related group benefits in an efficient manner and at an affordable cost. The program operates a self-insured health and dental plan. Life and long-term care insurance are purchased from private sector vendors. The program contracts with private companies to provide claims processing services, health screening, managed care services, and an employee assistance program. The plan serves approximately 32,000 people.

SEN. LARSON closed the hearing on the Department of Administration and stated that the Committee will meet 2/18/05 at 8:00 A.M.

{Tape: 4; Side: B; Approx. Time Counter: 0 - 14}

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ADJOURNMENT

Adjournment: 10:30 A.M.

REP. JOHN SINRUD, Chairman

JAMIE MICKELSON, Secretary

JS/jm

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Additional Exhibits:

EXHIBIT ([jgh12aad0.TIF](#))